OPPORTUNITY ZONES ELIGIBILITY TOOL METHODS

Created as part of the 2017 Tax Cuts and Jobs Act, the Opportunity Zones Program is designed to drive long-term capital to rural and urban low-income communities across the country by providing tax benefits on investments in Opportunity Funds (Carroll, 2018). This document describes the process through which the Opportunity360 team at Enterprise Community Partners collected the data and identified the census tracts eligible for designation as Opportunity Zones, as well as additional filters included on the Opportunity Zones Eligibility Tool. It is based on our current understanding of the legislation supplied by the IRS guidance as of February 28, 2018 and will be updated to reflect future guidance from the U.S. Department of the Treasury.

Determining Eligibility Status

The Opportunity Zones Eligibility Tool presents a picture of eligibility based on two separate analyses of census tract eligibility, as follows:

1. Eligibility as determined by the CDFI Fund’s Opportunity Zone Information Resource (updated February 27th). This was used to determine ‘safe harbor’ status, as outlined in the IRS’s February 8th guidance, also available in the Opportunity Zone Information Resource.
2. Because the IRS guidelines state that 2012-2016 ACS data may also be used as a basis for eligibility, the Opportunity360 team also undertook a new analysis of eligibility using 2012-2016 ACS data in place of the 2011-2015 ACS data. The 2012-2016 Low-Income Communities were then used in a new analysis of contiguity to determine additional eligible tracts.

*Note: The original version of this tool included a third analysis of eligibility that compensated for the exclusion of some eligible tracts in the “safe harbor” dataset. With the February 27th update, these issues have been remedied, so this inclusion is no longer necessary.

Having obtained these separate eligibility status determinations, the Opportunity360 team created a composite eligibility status based on the following logic:

1. First, if a tract was determined to qualify as a Low-Income Community under either of the determinations, it was assumed to be a Low-Income Community.
2. Second, if it was not found to be a Low-Income Community but was found to be an Eligible Contiguous Tract under either of the determinations, it was assumed to be an Eligible Contiguous Tract.
3. All other tracts were assumed to be ineligible for the program.

Data Sources

The eligible census tracts and filters included in the Opportunity Zones Eligibility Tool were sourced from a variety of different data sets. If possible, original data were obtained for census tracts. For sources lacking tract-level data, additional transformations were performed prior to the inclusion of these data in the Eligibility Tool. This was the case for the Promise Zones, Choice Neighborhoods, Tribal Tracts, and Sections 514, 515, and 538 active projects data that were included in the Opportunity Zones Eligibility tool filters.

Low-income Communities and Eligible Contiguous Tracts Data

- Poverty Rate (ACS, 2016 5-Year)
- Median Family Income (MFI) (ACS, 2015 and 2016 5-Year)
- Metropolitan Designation (U.S. Office of Management and Budget, 2017)
- High Migration Rural Counties (1990 Decennial Census; 2000 Decennial Census; ACS, 2016 5-Year)
- CDFI Fund Opportunity Zone Information Resource

Place-based Filters Data

- Rural and Urban Designation (U.S. Census Bureau, 2010)
- U.S. Tribal Census Tracts (U.S. Census Bureau, 2017)
- U.S. States (ACS, 2016 5-Year)
- U.S. Counties (ACS, 2016 5-Year)

Federal Place-based Program Filters Data

- Choice Neighborhoods (HUD, 2018)
- Community Development Block Grant (CDBG) Investments (HUD, December 2017)
- Empowerment Zones (HUD, 2013)
- New Market Tax Credit Investments (CDFI Fund, 2011 to 2015)
- Promise Zones (HUD, 2014 to 2016)
- Qualifying Census Tract (HUD, 2018)
- Rural Development Multi-Family Housing Section 514 and 515 Active Projects (USDA, January 2018)
- Rural Development Multi-Family Housing Section 538 Active Projects (USDA, January 2018)

Opportunity360 Filters Data

- Housing Stability Score (Enterprise Community Partners, 2017)
Low-income communities eligible to participate in the Opportunity Zones program were identified using the definition supplied by Section 45D(e). This definition provides that a census tract is identified as a low-income community if it meets at least one of the following basic criteria:

- The tract has at least a 20% poverty rate, or
- In the case of a tract not located within a metropolitan area, the median family income for such tract does not exceed 80 percent of statewide median family income, or
- In the case of a tract located within a metropolitan area, the median family income for such tract does not exceed 80 percent of the greater of statewide median family income or the metropolitan area median family income (see Appendix A). For tracts located in High Migration Rural Counties, the threshold is increased to 85 percent instead of 80.

Initially, all census tracts were examined using these three criteria. Given the complexity of this process, this series of transformations was guided by a decision tree (see Appendix A). It was detailed by Enterprise Research Director Zachary Patton in a Feb 28, 2018 blog post.

Tracts Contiguous with Low-Income Communities

Additional census tracts were determined to be eligible to participate in the Opportunity Zones program due to their contiguity to a low-income community. This smaller number of tracts included communities meeting both of the following basic criteria:

- The tract is contiguous with at least one low-income community that has been designated as an Opportunity Zone. It should be noted that the Opportunity Zone designated tract may reside in a different U.S. county or state.
• The tract has a median family income that does not exceed 125 percent of the median family income of at least one of the contiguous low-income communities.

A second round of transformations included an examination of the tracts that had not been previously identified as low-income communities. The contiguity analysis was performed using the ESRI ArcGIS polygon neighborhood analysis tool. It assumed a queen’s case contiguity which means that contiguous tracts need only touch at a single point to be considered contiguous.

Like before, this process was guided by a decision tree (Appendix B), as described on the Enterprise blog.

**Place-based Filters**

A set of place-based filters has been included with the Opportunity Zones Eligibility Tool to assist individuals developing designation strategies. These filters enable users to view designated low-income communities and eligible contiguous tracts by various places of interest, including U.S. state or territory, county, rural or urban area, and those intersecting at least one tribal census tract. Transformations of the data underlying the rural and urban communities and communities intersecting tribal tract(s) filters are described as follows.

**Rural and Urban Communities**

Rural and urban communities were identified using the definition provided by the U.S. Census Bureau. This definition classifies communities into three categories of urbanized areas, urban clusters, and rural areas based on population. For the purposes of this filter, urbanized areas and urban clusters are displayed together as urban communities. The remaining communities are displayed as rural communities. Communities in the U.S. territories have not been classified as either rural or urban (U.S. Census Bureau, 2016).

**Communities Intersecting Tribal Tract(s)**

Communities intersecting tribal census tracts were identified based on their geographic overlap. This process was performed using the ESRI ArcGIS intersect tool. Its output showed which U.S. census tract(s) were associated with every U.S. tribal census tract. A de-duplicated version of the outputs was joined to the complete listing of the U.S. census tracts with tracts assigned a value of Yes or No. A value of Yes means that the U.S. census tract intersected with one or more U.S. tribal census tract either partially or completely in 2017.

**Federal Place-Based Program Filters**

Like the place-based filters, a second set of federal place-based program filters enable users to view low-income communities and eligible contiguous tracts by places which have already been
designated to receive or have benefited from the investments of other federal programs. These include the USDA’s Rural Development Multi-Family Housing Sections 514, 515, and 538 programs as well as HUD’s Qualified Census Tracts, Choice Neighborhoods, Community Development Block Grant (CDBG), Empowerment Zones, New Market Tax Credits, and Promise Zones programs.

Details of the transformations used in the creation of the Choice Neighborhoods, Promise Zones, and Sections 514, 515, and 538 active projects filters are outlined below.

The remaining filters (Qualified Census Tracts, CDBG project(s), Empowerment Zones, and New Market Tax Credit Investments) use only slightly modified versions of the original, underlying census tract data. For these filters, analysts assigned a Yes or No value based on whether a census tract was designated under the above programs or had benefited from at least one investment or project under those programs.

Choice Neighborhoods

Communities intersecting Choice Neighborhoods were identified based on their geographic overlap. This process was performed using the ESRI ArcGIS intersect tool. Its output showed which census tract(s) were associated with every Choice Neighborhood. A de-duplicated version of this file was joined to a complete listing of U.S. census tracts, and the tracts were assigned a value of Yes or No. A value of Yes means that the census tract intersected with one or more Choice Neighborhoods either partially or completely in 2013.

Promise Zones

A similar process was used to identify the communities making up Promise Zones. Like before, this transformation was performed using the ESRI ArcGIS intersect tool. Its output showed which census tract(s) were associated with every Promise Zone. A de-duplicated version of this file was joined to a complete listing of the census tracts with the tracts assigned a value of Yes or No. A value of Yes means that the tract intersected with one or more Promise Neighborhoods either partially or completely at some point between 2014 to 2016.

Rural Development Multi-Family Housing Section 514, 515, and 538 Active Projects

Communities that include one or more USDA Section 514, 515, and 538 active projects were identified by two spatial joins which were performed in ESRI ArcGIS. These transformations supplied the census tract for every Section 514, 515, and 538 active projects.¹ Similar to the previous transformations, a de-duplicated version of these files were joined to a listing of all the census tracts with tracts assigned a value of Yes or No. A value of Yes means that a census tract

¹ It should be noted that 17 Section 514 and 515 projects are excluded from the final filter because of missing values or invalid latitudes and longitudes. These 17 projects are in Puerto Rico and the U.S. Virgin Islands.
included at least one active 514, 515, and/or 538 project in January 2018.

**Opportunity360 Filters**

A final set of filters enable users to view low-income communities and eligible contiguous tracts by a series of opportunity dimensions. These filters may be used to help contextualize the communities that individuals may wish to identify with their designation strategies. Each set of slider bars enables users to view designated low-income communities and eligible contiguous tracts by dimensions of housing stability, economic security, education, health, and mobility. As an example, a score of 50 in the housing stability dimension means the filtered tracts shown are in the 50th percentile with half of all the tracts in the country having higher scores in this dimension.

The Opportunity360 website and associated resources page offers some additional insights into the data underlying these indices as well as the process through which these scores were calculated. Please visit [opportunity360.org](http://opportunity360.org) for more details.

**References**


Appendix A: Low-Income Community Eligibility Decision Tree

Initially, all census tracts were examined using a series of three baseline criteria. This series of analyses was guided by the process outlined in the following decision tree. Additional details about these criteria and relevant data sources may be found in the previous pages of this document.

Note: Median Family Income (MFI).
Appendix B: Tracts Contiguous with Low-Income Communities Decision Tree

A second round of analysis included an examination of the tracts that had not been previously identified as low-income communities. This process was guided by the following decision tree. Additional details about the criteria and relevant data sources may be found in the previous pages of this document.

Is this Tract Eligible for Designation as an Opportunity Zone Because It Is Contiguous With a Low Income Community?

START HERE
(TRACT IS NOT A LOW INCOME COMMUNITY)

Is it contiguous with at least one Low Income Community?

Yes

Is the MFI of this tract ≤ 125% of the MFI of at least one contiguous Low Income Community?

Yes

ELIGIBLE FOR OPPORTUNITY ZONE DESIGNATION AS A CONTIGUOUS TRACT

No

NOT ELIGIBLE FOR OPPORTUNITY ZONE DESIGNATION

No

Note: Median Family Income (MFI).